



A MONTHLY ELECTRONIC NEWSLETTER TO THE 41st ASSEMBLY DISTRICT
(Including Agoura Hills, Calabasas, Encino, Malibu, Hidden Hills, Lake Sherwood, Oak Park, Pacific Palisades, Port Hueneme, South Oxnard, Santa Monica, Tarzana, Topanga, Westlake Village, and Woodland Hills.)

MAY 2004 ISSUE

Governor Releases May Budget Revise

At the beginning of January, California's Governor is required to prepare a balanced budget for the state and submit it to the Legislature for action by both the Assembly and the Senate. That budget is based on the state's best estimate of revenues for the upcoming fiscal year. Thirty days after our personal income taxes are paid on April 15, and actual revenues are known, the Governor sends the Legislature a revised budget (the "May Revise"). It was just released on May 13.

There's good news and there's bad news in the May Revise... but mostly there is a deferral of the structural problems (the state still has more expenditures than revenues) well into the future. Some of the key items in the May Revise were the product of negotiations between Governor Schwarzenegger and various key constituencies – the K-12 budget (\$2 billion "contribution" to the deficit) and local government financing (\$1.3 billion "contribution") are two big-ticket examples where money will be given up for two years but then reimbursed. The Administration's hope is that our economy will continue to rebound (ex., property taxes are up this year), which is an optimistic assumption; that state employment contracts will be renegotiated (ex, prison guards); and that Indian gaming will give up a share of their revenues to help fund transportation projects (which most tribes have so far rejected.)

Long-term cost savings may also be achieved by the Governor's "California Performance Review," (see related story below) as it looks for economies and more cuts in various government departments, commissions, etc. I have made several suggestions myself, and have received approval to perform a full audit of the California Commission on Teacher Credentialing.

The Legislature's five budget subcommittees have held hearings to review the May Revise line-by-line. Any conflicts between actions taken in the Assembly and in the Senate will be resolved in a bi-partisan Conference Committee. Changes will be made, compromises reached, and, hopefully, a budget will be approved on time by the full Assembly and Senate prior to July 1. That has always been my goal for every year that I have been in the Legislature. The challenge is that California is one of just three states in the country that requires a 2/3 vote in both houses to pass a budget. And we must begin to address some of the structural problems in our budget that have led California into the deficit situation we now face.

CONSIDER THIS:

While State Services Continued, Personal Income Tax (PIT) Revenue Plummeted

2000-01 – **\$17.6 billion PIT** (Dot-com economy was flourishing.)

2002-03 – **\$5.2 billion PIT** (Dot-com economy collapsed. \$12.4 billion loss.)

2004-05 – **\$7.7 billion PIT** (Still \$10 billion less than in 2000-01.)

What's The Good News in the May Revise?

- A \$1.2 billion one-time windfall from the tax amnesty program (see related story.)
- It restores partial funding to the In Home Social Services program pursuant to a Federal waiver.
- It restores the K-12 library budget. A proposed cap on the Healthy Families insurance program and for AIDS drug programs has been withdrawn.
- It increases the California Film Commission online permit issuance system.
- It restores half the funding for outreach programs to K-12 and community college students to attend a CSU or UC school.
- California's credit rating is now up to AA -.
- Property tax and personal income tax revenues are both up.

What's the Bad News or What Are the Uncertainties?

- Tuition at CSU and UC schools increases by 14%. Add another 20-25% increase for graduate student tuition to last year's 40% increase.
- It will cost the state \$1.3 billion every year for the next 15 years, beginning in 2006, to pay off the deficit recovery bonds that were passed primarily to balance last year's budget.
- The fiscal 2005-06 and/or 2006-07 budgets will have to include nearly \$4 billion each year to reimburse K-12, higher education, and local government.
- It suspends the voter-passed Prop. 42, which funds transportation projects, to the tune of \$1.2 billion, with repayment by 2007-08. \$500 million in repayment is dependent on one-time tribal gaming revenue.
- Childcare programs are cut, which many working families count on.
- Mental health services are cut.
- Funding is reduced for L.A. County Probation Camps, which are far cheaper than the California Youth Authority, and which have a much lower recidivism rate.

Avoiding more draconian cuts now, not raising taxes, fund transfers and "swaps," and using a combination of cuts and deferrals seems to be the basis of the May Revise. It also relies on certain assumptions about our economy continuing upward.

Although the Governor's proposal is balanced, the state's nonpartisan and objective Legislative Analyst has released her "Overview of the 2004-05 May Revision," and expresses a number of concerns.

Here are some key comments:

- *"We believe the May Revision plan misses an opportunity to make more meaningful inroads toward eliminating the state's long-term structural imbalance – a persistent gap that the state will not be able to simply 'grow it's way' out of."*
- *"The May Revision proposal relies on less ongoing savings than did the January plan, and in other instances, the May Revision adds to the state's future spending commitments. These factors have resulted in a worsening in the state's long-term fiscal outlook relative to the January proposal."*
- *"We believe that it will be important for the Legislature as it reviews the Governor's plan to look for opportunities for additional ongoing budget solutions, as well as to avoid actions which either add to the state's future spending commitments or reduce its flexibility to deal with its projected future budget shortfalls."*
- *Although the Governor's plan balances the 2004-05 budget, in 2005-06 a \$6 billion operating shortfall would re-emerge, and in 2006-07 another shortfall approaching \$8 billion will occur.*
- *"The persistence of ongoing budget shortfalls reflects the still-large reliance on borrowing and other one-time and limited-term savings in the 2004-05 budget plan."*

We are already dealing with some financial "solutions" to last year's budget deficit that really only put off the hard decisions. It is essential that we, as legislators, keep our eye on the long-term implications if we are to find a resolution to California's structural problems of over reliance on personal income tax revenues, and balance the high level of services that Californians continue to demand against revenues that the state can count on.

You can read the LAO's 23-page "Overview of the 2004-05 May Revision" on their website, which is www.lao.ca.gov/2004/may_revision. For those of you who want even more information, you can access the Governor's May Revision on the Department of Finance website at <http://www.dof.ca.gov>. Click on "California Budget" on the left, then scroll down to "Governor's Budget May Revision."

Soka University Still of Interest as Potential Public Parkland

For twenty years, the 300-acre Soka University campus (formerly the Gillette property), located at Mulholland Highway and Las Virgenes Road, has been nearly at the top of the acquisition "wish list" of the Santa Monica Mountains Conservancy. Second only to Ahmanson Ranch, which was acquired last fall, Soka is now the Conservancy's #1 priority. It is relatively flat, easily accessible, and in the heart of the Santa Monica Mountains National Recreation Area.



This is a magnificent property located at the gateway into the Santa Monica Mountains, although the University has wanted to expand it into a major and busy campus. I have been having discussions with the Conservancy and Supervisor Zev Yaroslavsky over the past several months on how we might jump-start an acquisition of this property. The letter that Supervisor Zev Yaroslavsky has just

sent to Soka University of America and the Conservancy, inviting them both to actively consider a purchase/sale, is typical of his leadership on open space preservation issues in the Santa Monicas. I commend his outreach to Soka, strongly support the acquisition, and will do whatever is in my power to assist in the purchase.

Ahmanson Ranch (now the Upper Las Virgenes Open Space Preserve) and Soka University would be the twin jewels of the Santa Monicas. Protecting both as permanent public parkland would be a remarkable and very significant accomplishment. ***We did it once. We can do it again.***

Tax Amnesty Program Nets Huge Payoff to State

AB 1601 (Frommer) and SB 614 (Cedillo), both signed into law last year, and both of which I supported, were designed to root out fraud and abuse by cracking down on illegal tax shelters. Such shelters are estimated to have cost California anywhere between \$2 and \$4 billion over the past four years.

What has really paid dividends is the fact that the bills contained tax amnesty provisions, giving taxpayers a one-time chance to pay taxes owed on money hidden in these illegal tax shelters, and to avoid new penalties, if they paid up by April 15. So far, the program has generated in excess of \$1 billion from wealthy tax cheats, and the FTB auditors aren't finished tallying the final returns.

California Performance Review

As a part of the state's determination to be as efficient as possible, 14 teams of 275 people have been assembled by Governor Schwarzenegger to undertake a top-to-bottom review of the best ways to deliver and protect state services. They are looking at consolidating state commissions, reducing state boards, searching out duplications of effort, setting priorities, etc. The stated "Expected Outcomes" are to align services with the needs of Californians in mind; to produce savings estimated at \$150 million in the first year; to redeploy staff and resources to priority areas; and to eliminate 200 boards and commissions, as well as 1,500 political appointees.

Results of the California Performance Review will likely be reviewed by the Legislature next year. For more information on this Review, go to www.cpr.ca.gov.

Valley Interfaith Council Celebrates 40th Anniversary

For forty years, the Valley Interfaith Council (VIC) has brought people together from the San Fernando Valley's religious, business, corporate, and service communities to advocate for improving the quality of life of Valley residents. VIC feeds the hungry, enriches the lives of the elderly, and fortifies struggling families with a variety of programs. Warmest congratulations to VIC on forty years of important community service. If you would like more information, including how you, your group, or an entire congregation can help those in need, either visit VIC's website at www.sfvic.org, or telephone them at (818) 718-6460.

Commitment to Higher Education Broken?

Under the Governor's proposal, between 7-11,000 students who have already received letters of acceptance to one of our CSU or UC colleges have had the rug pulled out from under them. Instead, they are now receiving letters saying that they must go to a community college for the first two years before they will be allowed to attend their university of choice. This news caught students and parents by total surprise, and very late in the process, requiring sudden changes in plans, dashed expectations, and providing virtually no lead time to seek out alternatives (private schools, out of state options, etc.)

This abrupt action also impacts and disrupts the community colleges that must accept these students. The diverted UC and CSU students will bump students who would otherwise have planned to attend a community college because the community colleges have also had classes cut and enrollments capped. Rocky Young, Acting Senior Vice Chancellor for the L.A. Community College District, wonders how the system is going to handle up to 11,000 more applicants when there's no money to add classes. Enrollment opens on May 24. But "if they wait, then there's nothing we can do for them. The classes will be gone."

And there is another fairness issue as well: the incoming UC and CSU students will have their tuition waived, while the other community college students, many of whom come from lower-income families, or who could have qualified for admission to a UC or CSU but didn't apply, must continue to pay full tuition (which went up last year).

I regard this action as a broken commitment to the Master Plan for Education. The savings to the state of such action is only about \$45 million in a total state budget of over \$103 billion. I hope that the full Legislature will restore this relatively small sum to the budget, and that the Governor will reconsider his actions, so that we can all honor our commitment to providing the best education possible to California's future workforce.

Tough Vehicle Emissions Standards are Spreading

Although my 2001 landmark clean air/global warming bill, **AB 1493**, was hotly opposed by special interests, it has spread with unexpected speed and quickly gained international attention. Last month, Connecticut joined Massachusetts, New York, Vermont, and New Jersey in adopting California's tough new vehicle emissions standards. Rhode Island adopted our standards earlier this month, plus their auto manufacturers will be required to sell approximately 14,400 hybrid vehicles and 78,000 clean conventional cars by 2011.

Connecticut is ranked as having the nation's third worst air quality, and it is estimated that the bill could cut their toxic air emissions by about one-third. Canada is looking seriously at adopting California's regulations as its national standard.

California's new "maximum feasible" emissions standards under AB 1493 should be released in draft form by the California Air Resources Board some time this summer, with public hearings to be held in the fall.

May 4 -- "World Asthma Day"

Among the many environmentally-related diseases, asthma may be the most common. Poor and minority children are the hardest hit because of urban air pollution. Global warming is increasing the levels of allergens like mold and pollen. Inversion layers trap ozone, smoke, soot and diesel particulates in the air we breathe. One Harvard Medical School study reports that asthma among preschool children grew 160% between 1980 and 1994. The Center for Disease Control and Prevention says that nine million children in the U.S. have been diagnosed with asthma just in the past 12 months.

Cleaning up California's air quality, including from vehicle emissions, continues to be one of my highest priorities. I was pleased to join a group of my colleagues at a press conference in Sacramento recognizing World Asthma Day to help raise awareness of the serious health impacts if we fail to improve our air quality.

When a Green Swimming Pool is a Good Thing

As we are getting into our summer weather, it's important to remember that pools use large amounts of water, energy, and chemicals. There are things you can do to save all of them.

- Use a timer to shut off your pump for at least 12 hours a day.
- Use a solar cover. It will protect against heat loss during the night, will gain heat during the day, and will reduce water and chemical evaporation.
- Every degree that you lower on your pool heater's thermostat can cut energy use by 5-10 percent.

(More)

Hybrid/HOV Bill Clears State Assembly

On May 6, **AB 2628**, my bill allowing single-occupant low-emissions hybrid vehicles to use carpool lanes, passed out of the State Assembly on a bipartisan 60-13 vote. I was very gratified that this bill received such broad support. It's no accident that Assemblymembers of both parties believe that this legislation is good public policy. It incentivizes automakers to increase production of alternative-fueled vehicles, eases our commutes, saves us money at the pump, reduces our dependency on foreign oil, and cleans our air all at the same time. A true win-win-win-win-win.

AB 2628, sponsored by Treasurer Angelides and the Schwarzenegger Administration, would allow hybrid electric vehicles that meet tough emissions and fuel efficiency standards, access to California's high



occupancy vehicle (HOV), or carpool, lanes, regardless of the number of people in the vehicle. Hybrid electric vehicles that would be allowed access are those that meet California's strictest advanced technology-partial zero emission vehicle (AT-PZEV) standards and achieve 45 miles per gallon or higher. In addition, an estimated 20,000 pre-2005 gas-electric hybrid vehicles that meet less stringent emissions criteria, but also have a 45 miles per gallon or higher rating, would be allowed into HOV lanes.

Hybrids that would be eligible today for HOV access include the Honda Insight, Honda Civic Hybrid and Toyota Prius. As new hybrid vehicles are developed, they too will become eligible for HOV access if they meet the strictest AT-PZEV emissions and fuel efficiency standards. The bill is now headed for the State Senate for action.

May 12 – "Day of the Teacher"

As a 28-year public school teacher, I was proud to author Assembly Concurrent Resolution 104, proclaiming May 12, 2004 to be Day of the Teacher. Today's teachers train the workforce of the future. No other profession touches as many people with such a lasting effect. When you ask successful people to name the most influential individual in their lives, more teachers are named than any other group. The Resolution was sponsored by the California Teachers Association, the California Federation of Teachers, the Parent Teacher Association, and many school boards and school administrators.

Observance of Day of the Teacher began in 1982 as a way to formally recognize the remarkable people who choose teaching as their profession. On a daily basis, they bring the joy of reading, the wonders of science

and mathematics, and the love of learning to California's children. I value the years that I spent in the classroom,



and although I am now serving in the State Assembly, there are still many students that I will always remember, and some I still hear from. I continue to think of myself as a teacher, and always look forward to speaking to the many students who visit the Capitol from my district. Earlier this month students from Pacific Palisades, Oak Park, and from Pt. Dume Elementary in Malibu visited the

Capitol.

Certificates from the State Assembly were sent to the principal of every school in the 41st Assembly District, with a request that they be displayed in the teacher's lounge or other similar place to show the respect of the state Legislature for the importance of teaching in the lives of California's children.

Congratulations to Medea Creek Middle School

Medea Creek Middle School in Oak Park has been selected by the California Middle Grades Alliance as one of three model middle schools in California. These schools were chosen because they are examples of high-performing middle schools that are academically excellent, developmentally responsive to the needs of young adolescents, socially equitable, and organized in a way to sustain dynamic improvement and reform. Designated school will serve as models for other schools to visit, learn from, and emulate.

I extend my warmest congratulations, both as an Assemblymember and lifetime middle school teacher, to Medea Creek's wonderful teachers and to the Oak Park Unified School District on this great honor.

(More)

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41st AD Mountain Lion Population Increases...



... by one tiny cub. My District Office staff had the rare treat earlier this month of a visit from Molly Hogan, founder of the Nature of Wildworks care and education facility for non-releasable wild animals. She brought with her Canyon, a seven-week-old mountain lion cub that someone had misguidedly acquired as a pet. The person almost immediately realized how ill-considered a choice it was, and, fortunately, this cub has found a safe haven now as part of the Nature of Wildworks wildlife education programs.



Scam Alert

Financial, telemarketing, sweepstake, and other scams cost consumers \$3 billion each year. While they can happen to anyone, the elderly are often targeted and can lose their nest egg in the blink of an eye. I have prepared an informative brochure on some of the more common scams and how to avoid them. They include:

- **Contractor Scams** – A contractor comes to the door to solicit a possible home repair. While you step outside to view the proposed repair, an accomplice enters the house and steals your belongings.
- **Telephone Scams** – You receive a page with an unfamiliar “809” area code. It leads to an automated message in a foreign country that is intended to keep you on the line as long as possible to run up excessive long-distance fees.
- **Lottery/Prize Scams** – You are offered a “free” \$100 savings bond if you will pay “shipping and handling” charges amounting to \$70. The bond could be bought from the U.S. government for \$63.

A constituent recently shared a letter that he received from a corporation that offered to settle an old debt for 20 cents on the dollar, with threats of ruining his credit if he did not accept their “generous” offer. When he did a computer check on the corporation, it was a scam that tries to frighten people into paying supposed debts that are so old that victims may question their own memories as to whether they actually do owe the money.

Understanding some of the schemes that are currently out there may save you or a loved one thousands of dollars. To request a copy of my “Scam Alert” brochure, just call my District Office, or e-mail me at assemblymember.pavley@asm.ca.gov.

Assemblymember Pavley's Committee Assignments

Appropriations Committee
Arts, Entertainment, Sports, Tourism, and Internet Media Committee
Budget Committee
Education Committee
Transportation Committee
Water, Parks and Wildlife Committee
Select Committee on California Ports
Select Committee on Coastal Protection
Select Committee on the Future of California's Health
Select Committee on National Defense, Technology and Jobs
Select Committee on Sustainability
Select Committee on Title IX
Chair, Budget Subcommittee #3 on Resources
Chair, Select Committee on Air and Water Quality
Chair, Select Committee on Hydrogen and Other Alternative Fuels
Legislative Advisory Committee – Wildlife Conservation Board
Legislative Advisory Committee – California Coastal Conservancy
Santa Monica Mountains Conservancy Board

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